WAS MARX WRONG?

The Economic Theories of Karl Marx Tested In The Light of Modern Industrial Development

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PREFACE

Outside of the boundaries of the Socialist movement, the American public is little familiar with the "pamphlet" as a means of literary expression, and especially as a method of literary or scientific controversy. It is evident therefore that the burden of justification for the publication of this pamphlet is upon the writer.

The subject matter originally appeared as a rather extensive review of Professor Simkhovitch's book, in the Sunday magazine section of the New York Call for Nov. 2 and 9, 1913. In this vehicle, it was subject to the combined limitations of Sunday papers and a Socialist publication. It reached few outside of the orthodox Socialist circles and was not read by many who might have done so, if the Sunday Call could find a permanent harbor within the narrow limits of a Harlem flat. The wealth of statistical material included was scarcely conducive to make it a popular piece of Sunday literature. Nevertheless, within a very short time, a number of requests for the publication of this article in permanent form were received from representatives of many different groups of the Socialist movement, such as Louis B. Budin, Upton Sinclair, Max Eastman, W. E. Walling, and many others.

It was evidently recognized that Prof. Simkhovitch's book represented an important attack upon the entire Socialist movement, doubly important because of the admitted Socialist leanings of its author in the past and his reputation as a Marxian student in this country. As might have readily been expected, this book is

Prof. Simkhovitch's point of view as could any one individual.

The review as it appeared in the New York Call is reprinted here in full, substantially without any changes. But in addition, further and more careful study of sources furnished even more statistical ammunition, of which free use was made.

The fastidious may object to excessive violence of language. The writer made an honest effort at self-restraint. He may only hope that a careful examination of the evidence presented will justify his frankly expressed condemnation of the statistical methods used by Professor Simkhovitch for the purpose of discrediting "scientific Socialism."

A German translation of "Marxism vs. Socialism" has recently appeared. The writer is reliably informed that a French translation is forthcoming. The book is, therefore, acquiring international importance. If this review accomplished no more than a correction of the erroneous American statistics thus presented to the scholars of the whole civilized world—something worth while will be achieved.

I. M. R.

Christmas, 1913.

I.

The bare fact that once more Socialism has been destroyed, and that finally and irrevocably, need not of itself surprise and frighten any faithful Socialist. For the very same thing has been done so many times before that we have become quite hardened to it. Nor is it at all out of the way that the job was this time, as so many times before, done by a learned university professor. A few years ago the same Columbia University was forced to import a discredited English economist—Professor Mallock—to do the very same thing. Various interpretations of that move were given at the time. The optimists insisted—and not without some foundation in fact—that the Socialist movement had so deeply penetrated into the economic and sociological faculty of Columbia, that President Butler was forced to import a man from England to do "the dirty work." Pessimists, on the other hand, were certain that the reason for the preference for goods imported from England was the gross ignorance of Socialist theories and literature among American professors. Frankly, after perusing Mr. Mallock's writings, I am inclined to side with the optimists. Be it as it may, there is reason to rejoice for every patriotic heart that the latest killing has been accomplished by ammunition of domestic make, even though it be a product of immigrant labor.

But, aside from patriotic pride, Professor Simkhovitch's book deserves the most careful attention of all thoughtful Socialists, because it will surely be widely commented upon and made use of, and it is written by a very expert hand with considerable

knowledge of Socialist literature and theory, such as Mallock could never claim.

Moreover, the basic principle underlying the book, as it is expressed in the rather sensational title, is not devoid of some novelty and originality. "Marxism versus Socialism"—a house divided against itself. Socialism is being destroyed not by appeals to human nature or to the Austrian school of economics, but through Marxism itself.

Of course, the very critical and painstaking reader may object to the title as misleading. In a case of "one thing versus the other," one is usually expected to take the stand either for the one or for the other thing. After one is done with the book, one feels like suggesting another title which would be fairer and more accurate, "Professor Simkhovitch Versus Both Marxism and Socialism." For Marxism is destroyed with neatness, precision and dispatch, piece by piece, in a series of thirteen chapters, and as to what is left of Socialism, the reader may judge by the following pithy quotations: "Socialism, scientific or otherwise, has really no leg to stand on" (page 250) and "the Socialist parties have become in reality reform parties" (page 293). And if there is nothing left either of Marxism or of Socialism, it would seem to matter little whether in addition a contradiction may be found between the two. But the scientific evidence, by means of which both are destroyed, cannot be a matter of indifference to those of us who are not yet ready to pronounce the patients dead.

How, then, does Professor Simkhovitch do it? As was already stated, the Marxian theory, after having been briefly stated, is destroyed piece by piece. The Marxian theory of value, the doctrine of class struggle, the theory of crises, and the collapse of capitalism, the theory of increasing misery (Die Verelendungstheorie), the theory of the disappearance of the middle class—all these are effectively disposed of in chapter

after chapter. The economic interpretation of history is first separated entirely from the Socialist doctrine (following Professor Seligman), and then is accepted with limitations; in fact, only so much of it is accepted as seems to Professor Simkhovitch to be helpful in the slaughter of the Marxian theory of social evolution.

The reasoning being about as follows: The basic theory of Marxian Socialism is the development of society not according to man's wishes and hopes, but in conformance to historical and economic tendencies. The actual economic tendencies prove that society is developing in an entirely different direction, ergo, the very theory that puts the greatest faith into economic forces contradicts the whole basis of "scientific Socialism." To put it in a different way, the Marxian historical method, when applied to the development of capitalist society, disproves the truth of all Marxian predictions. Society is not gradually dividing into two antagonistic classes; for, as a matter of fact (says Professor Simkhovitch), the middle class is growing. Marx's predictions as to the concentrating of wealth have not come true; the number of capitalists is increasing. The working class is not being forced into misery and degradation; on the contrary, there is a steady and unprecedented improvement in the conditions of the working class. Instead of rapidly speeding through the inevitable cycle of industrial crises, ever recurring and increasing in intensity to the final catastrophe, capitalism, on the contrary, is becoming steadier, crises less frequent and less acute, etc.

Of course, the trained Socialist thinker will pucker up his brow and say:

"Now, let us see. Methinks I have heard that before. Of course, there is nothing new under the sun. Most criticisms of Marxian Socialism have been so often made that each one of them can be easily

identified. But not only the individual links in the chain of evidence look familiar—the whole chain rings in a way that cannot help calling forth to memory the very same line of reasoning that Eduard Bernstein first brought together in his "Voraussetzungen des Sozialismus."

Let us see. Here is our copy of the English translation. It is dated 1911, after most of the articles which went into Professor Simkhovitch's book had already been printed in the Political Science Quarterly. But the original German of Bernstein, which the professor frequently refers to, was published in 1899—fourteen years ago. Though the English book has been out for over two years, it is known to very few American Socialists or non-Socialists, learned readers of the Political Science Quarterly or lay people. But whoever has had his first Socialist notions presented to him in Europe can never forget the exciting, earnest discussions that followed Bernstein's book, and to us it is quite evident, therefore, how much Professor Simkhovitch has learned from Bernstein. But to others some evidence may be necessary.

This may be best obtained by comparing the tables of contents of the two books. The actual wordings of the chapter headings are somewhat different in the two books, of course. But any one who has gone at all beyond the rudiments of Socialist theory should have no difficulty in recognizing the identity of substance under the different jackets. Take, for instance, Chapters V to VII in Professor Simkhovitch's book: (V) Concerning the disappearance of the middle class; (VI) The theory of increasing misery, and (VII) Data relating to the status of the wage workers. These are evidently three phases of the subject which Bernstein concisely treats in one chapter—"The Distribution of Wealth in the Modern Community." The points made in the three chapters by Professor Simkhovitch are exactly the points made by Bernstein. Both

books contain chapters on the "Economic Interpretation of History," and on "The Concentration of Production." Professor Simkhovitch devotes two chapters to the "class struggle," while Bernstein thinks one sufficient, and the same holds true of "crises." As a result, Bernstein found ninety-five pages sufficient for the critical part of his work, while Simkhovitch needed nearly 300.

Of course, there are differences. Bernstein made his critical analysis only in order to develop a new plan of work for the Socialist movement, and to this the largest part of his book is devoted. This element is altogether lacking in Simkhovitch's book. But, on the other hand, Professor Simkhovitch presents the novel method of destroying Socialism by appeals to Heine, Goethe, Schiller, Freiligrath, Samuel M. Crothers, William V. Moody, Mephisto and the Bible.

II.

All of this, of course, is mere circumlocution on the part of the writer. What of the actual book, its arguments, and, above all, its evidence? That is what should be carefully and critically examined.

This substance may be divided into two parts, which are kept separated in Bernstein's book, but rather confused in that of Professor Simkhovitch's. Bernstein devoted the first part to "The fundamental doctrines of Marxian Socialism." These are treated by Simkhovitch in the first three chapters, the last two chapters and Chapters VIII and IX, in the middle of the book. The second part of Bernstein's book deals with "The economic development of modern society" in an effort to prove the fallacy of Marx's theories and predictions inductively. This claims Chapters IV to VII and X to XI of Professor Simkhovitch's book.

It is my intention to devote myself primarily to the analysis of this inductive evidence. It is very difficult to argue about the fundamental theoretical conceptions of Marxism—Economic Interpretation of History and the Marxian Theory of Value. On one hand, a good deal has been said on either one of these topics, both for and against it, and what is being said recently, is mostly reiteration, which, after all, is not argument, though it often seems to be one. In a very laudatory review of Professor Simkhovitch's book, my friend, Dr. Walter Weyl, is forced to admit that "he has presented lucidly, and at times brilliantly, the conclusions, which have been reached by Boehm-Bawerk, Sombart, Stammler, Bernstein and other critics of Marx's system" (Survey, August 23, 1913). So one may go on repeating what Stammler and others have said, or one may prefer what Kautsky and Boudin have said, but in either case it is likely to be just that,—repetition.

In the very nature of things, the doctrine of economic interpretation of history does not permit of proof. It is a Weltanschauung—and we cannot conceive a Weltanschauung that can be proven. The simple truth is that millions of Socialists do not know what it is, thousands of Socialists have abandoned it and . . . many anti-Socialists have accepted it as a whole or in part.

If Professor Simkhovitch wants to make the point that this "method does not automatically produce a scientific history of our past" (page 40) that it is not "reasonable to suppose that the same method assures infallibility when the future is concerned," this is a point that may be readily admitted. There never was a scientific method that was "automatic" and "infallible." That Socialist hope, Socialist belief and Socialist activity are possible without the philosophic doctrine, is a fact which cannot be contradicted. On the other hand, when Professor Simkhovitch quotes Professor Seligman's statement that "the writers who are . . . making the most successful application of the economic interpretation are not Socialists at all," (page 43) he is quoting and stating an opinion, the accuracy of which will largely depend upon what application of this theory we will consider as most successful. The bare fact, which can be proven, is that non-Socialists are using this historical method. But what shall we say of the statement that "there is no necessary connection between the economic interpretation of history and Socialism?" If these doctrines are sometimes confused, it is, Professor Simkhovitch thinks, a sort of confusion "in which the popular mind habitually indulges," because this popular mind "does not dwell with the philosophies in their 'marble temple shining on a hill,' but in the muddy world of concrete personal experiences" (page 41). This popular mind is, therefore, so critically depicted that one is almost ashamed being caught while associating with him. And it seems not to

have occurred to Professor Simkhovitch that this combination of economic interpretation and Socialism (whether it resulted in an application of the method which appeared "successful" to Professor Simkhovitch or not) was of itself an undeniable fact, a historic fact of tremendous importance, the full explanation of which presented an interesting problem to the sociological student armed with this historical method.

Still less fruitful would be, by this time, a metaphysical discussion concerning the virtues of the Marxian theory of value. That commodities (or goods, or even services) are not actually exchanged in direct and exact proportion to the amount of socially necessary labor will be readily admitted by all Socialist students of economic conditions. Simkhovitch insists that it was admitted by Marx—better still. As a matter of fact, the above quoted formula does not permit of a proof, because the amount of labor represented in any one commodity cannot be measured, let alone the amount of socially necessary labor.

Time seems to offer a convenient measure of labor quantities, but the admission by Marx that "skilled labor counts only as simple labor intensified, or, rather, as multiplied simple labor, a given quantity equal to a greater quantity of simple labor,"* altogether destroys the utilization of time as a method of measuring values, for, instead of the objective measure, "time," there is substituted a subjective measure of comparative valuation of different kinds of human effort. This alone, entirely irrespective of the famous Marxian puzzle, makes impossible the proof that commodities do exchange proportionally to the amount of labor, for the one mechanical method of measuring labor falls away.

But since Professor Simkhovitch himself admits that the "opinion that the labor theory of value is the

* K. Marx, Capital, Vol. I, page 51 (Kerr's edition, 1903).

cornerstone of Marxian Socialism" is "the most fundamental and most general of the current misconceptions of the Marxian system," (page 2), why should the Socialists worry?

The Marxian theory of value may be worthless to explain the modern currents of production and commerce. But its importance lies in another direction: it is an effort to interpret surplus value and exploitation. It is a sociological theory rather than an economic one. Professor Simkhovitch quotes Professor Rossignol as saying: "Orthodox Socialists are deeply concerned to prove it true, for if it can be shown that all values are created by labor alone, it must surely follow that all should belong to the hand and brain that created it" (page 3). Yet what Professor Rossignol fails to see is that the *demand* of the hand and brain-workers for the ownership of what they created is very much more important socially than any logical, mathematic or metaphysical *proof* of the economic accuracy of the theory.

We agree with Professor Simkhovitch when he calls the "opinion that Marx's demand for social justice stands or falls with his theory of value" (page 2) erroneous, but the truth is that Marx never made any demands for "social justice." It is because the labor theory of value so eloquently expresses the class consciousness of the rising proletariat that it has become so popular, no matter what the professional economist may think of it. As a matter of fact, every theory of value was a class theory. That is why it is so easy to criticise the numerous theories of value, and so difficult to prove any one of them. No, we have no fault to find with the professor because of the criticisms he offers (or repeats) of the fundamental or rather theoretical Marxian doctrines. And since he does not add a single new one to those so frequently made in the past by others, no new refutations are called for. We remember, always, that he

is not so much versus Marxism as against Socialism. Professor Simkhovitch has a wholesome feeling of superiority over the scholastic philosophers from Aristotle on because "the chaos of facts and the order of tabulated experience was not theirs to deal with" (page 257). The bulk of the book is taken up with efforts to disprove some very well defined historical economic doctrines which Marxism has established and to which modern Socialism still holds onto tenaciously. Here "the chaos of facts and the order of tabulated experience" must be relied upon, and there is some objective method of testing the truth and finding out at least approximately what's so and what isn't. To this task we shall turn now.

III.

The first citadel of scientific Socialism which Professor Simkhovitch directs his attacks against is the doctrine of concentration of production. That one might still want to dispute that in the year of our Lord 1913, and in these trustified United States, is sufficient evidence of scientific valor. But valor alone in this era of scientific warfare is not sufficient. Up-to-date ammunition is also necessary. The chapter dealing with this problem contains seven exhibits of "tabulated experience," or in King's English, seven statistical tables. Of these, three are taken from Bernstein's book and three present United States statistics. The latest year for the United States data is 1900, though the census of 1905 had been published many years ago, and even the data of the census of 1910 were probably available before the book was published. For European experience no data later than 1895 are presented. And yet if the point be that the Marxian prophecies have not been fulfilled, surely it does not appear very scientific to take Bernstein's word for it, said nearly fifteen years ago, and at least an effort ought to have been made to test the trend of economic development during these fifteen years, enormous material for such a test being available in the statistical literature of Europe.

Does Professor Simkhovitch deny concentration in industry and commerce? Of course not. He is satisfied with the statement that "concentration in industry and commerce is far from complete centralization," (page 68) which is quite obvious, I assure you. Neither did Bernstein fourteen years ago. Over ten years ago the writer even called forth a correction from E. Bernstein when he suggested* that the

* International Socialist Review, August, 1902.

evidences of concentration in the United States disproved the theories of revisionists. To prove that he recognized concentration in industry, E. Bernstein quoted the following statement in his book:*

"If the incessant progress of technical methods and centralization in a growing number of branches of industry is a truth, the significance of which even blockheaded reactionists scarcely hide from themselves to-day, it is a truth not less established that in quite a number of trades small and medium establishments prove to be perfectly able to live at the side of great establishments."

Now, neither Marx nor Engels tried to time the progress of concentration in advance. No one claims that all "small and medium" establishments "are dead." Not being dead, they are evidently "able to live" at present. Moreover, the very concept of a "small or medium" establishment is constantly changing. The tendency—the indestructible historical tendency, if there be any, is evidently the thing that matters, sociologically speaking.

It is scarcely necessary again to go over the ground covered by Bernstein's statistics. The data quoted by Professor Simkhovitch from the United States census present better material for judging of his statistical methods and the accuracy of his deductions.

"Indeed," says Professor Simkhovitch, "the number of industrial establishments increased from 1890 to 1900 more rapidly than the number of wage earners."

	1890	1900	Increase (Percentages).
Number of establishments.....	355,415	512,254	44.1
Number of wage earners.....	4,251,613	5,308,406	24.9

* International Socialist Review, Dec. 1902, p. 300.

This, of course, would be a death blow to the theory of concentration in industry. But if Professor Simkhovitch would open his Census Report for 1900 (volume VII, page 64) he would find a long explanation to the effect that the enumeration of the smaller establishments in 1900 was very much more thorough than in 1890 and in 1880. "These facts," says the Census Report, "are enumerated in order to guard against fallacious conclusions that might otherwise be drawn from the very large percentage of increase in the number of establishments shown in the two decades, 44.1 per cent. for the decade ended in 1900, and 40.0 per cent. in 1890."

Professor Simkhovitch has taken his figures from Census Report of 1905. He should have known, therefore, that just because of the difficulty of enumerating the very smallest "neighborhood" establishments, such as bicycle repair shops, cobblers, etc., the futility of comparing such statistics at one census and another, and the meaninglessness of classifying them with productive establishments, it was decided in the census of 1905 to exclude them altogether, and this plan was also followed in 1910. For the last decade, therefore, the comparison is between "factories, excluding hand and neighborhood industries" and the comparison is as follows:

	1900	1910	Increase in Per cent.
Number of establishments.....	207,514	268,491	29.4
Number of wage earners.....	4,712,763	6,615,046	40.4

Which gives an entirely different picture from the one the table quoted by Professor Simkhovitch tries to portray.

On page 55 he quotes the data showing the number of establishments having no employes, under five employes, five to no employes, etc. "One is impressed,"

he says, "by the number of small and middle sized industrial establishments of which the report takes cognizance." And yet what do those figures prove? Suppose there are ten establishments in a town, of which one has 10,000 employes, and nine have two employes each. Can you judge as to concentration of industry in that town from the statement that it only has one large and nine small factories? Or, would it not be more accurate to say that over 98 per cent. of its wage workers work in one establishment?

What do we find on closer examination of the data which were available to Professor Simkhovitch as well as to ourselves, but were not quoted by him? There were, in 1900, 12,809 establishments employing 100 employes or over; in 1904, 13,858. It is true that in 1910 (or rather in 1909, to which year the data refer) the number of these large establishments has decreased to 12,784, because 1909 was a year of an industrial depression (continued from 1908), but the essential fact is not the number of large establishments, but the share of production concentrated in them. For 1910 these data are available. By turning to page 468 of the Abstract of the Thirteenth Census, Professor Simkhovitch would have discovered the interesting fact that 12,784 establishments, with over 100 employes each (or less than 5 per cent. of all establishments) employed 4,115,843 out of a total of 6,615,046, or 62 per cent.

In fact, the figures are sufficiently important to be quoted here extensively:

Size of Establishment	No. of Employes.	No. of Establishments.	No. of Employes.	P. C. Establishments.	P. C. Employed
Very small.....	None	27,712	.....	10.3	....
Small	1 to 20	193,487	952,497	72.1	14.4
Medium	21 to 100	34,508	1,546,706	12.8	23.4
Large	101 to 500	11,021	2,265,096	4.1	34.2
Very large.....	501 & over	1,763	1,850,747	.7	28.0
		268,491	6,615,046	100.0	100.0

Do these figures prove concentration, or do they not? What is the most significant fact brought out by this table? Is it the fact that there are some 221,000 small establishments, or that they employ less than 15 per cent. of the available labor power?

Moreover, even the number of employes is not the best measure of the size of establishment, which may grow by large investment or fixed capital, machinery, buildings, and thus realize a large output. If the reader has ever seen a large electric power plant such as, for instance, those at Niagara Falls, where tremendous mechanical giants, built of steel and brass, silently do the work, with two or three mechanics leisurely looking on, he will have no difficulty in getting the point we are trying to make. In fact, the size of the output is perhaps the best measure. The total value of manufactures in 1904 was some $14,794,000,000. There were 1,900 establishments with a value of manufactures of $1,000,000 or over. These 1,900 establishments (less than 1 per cent. of the total number) together claimed $5,628,000,000, or 38 per cent. of the total value. In 1909 there were 3,000 establishments of this size, and they claimed $9,054,000,000 of products out of a total of $20,672,000,000, or 44 per cent. Here, again, are the figures:

Value of products of an establishment.	Percentage of total number of establishments.	
	1904	1909
Less than $5,000	32.9	34.8
5,000- 20,000	33.7	32.4
20,000- 100,000	22.2	21.3
100,000-1,000,000	10.3	10.4
1,000,000 and over	0.9	1.1

Thus the distribution of establishments by size has hardly changed within the short period of five years. Professor Simkhovitch might still, in 1904 and 1909, derive satisfaction from the very large number of small establishments, with a total value of products below $20,000, or even below $5,000. But—

Look at these figures:

Value of products of an establishment.	Percentage of total value of product.	
	1904	1909
Less than $5,000	1.2	1.1
5,000- 20,000	5.1	4.4
20,000- 100,000	14.4	12.3
100,000-1,000,000	41.3	38.4
1,000,000 and over	38.0	43.8

Again we humbly ask of Professor Simkhovitch, was there concentration in American manufactures or was there not? In 1904 38 per cent. of the total value of manufactures came from the few establishments of the largest size. Only five years this proportion increased to 43.8 per cent., and by this time it is reasonable to assume it has reached one-half. As against these few giants of modern capitalistic production, there were, on the other hand, in 1904 143,938 and in 1909 180,337 establishments producing less than $20,000 worth each. But in 1904 all of them claimed only 6.3 per cent. of the total value of the products, and in 1909, notwithstanding their increase in number, only 5.5 per cent.

But in his anxiety to disprove "Marxian prophecies," Professor Simkhovitch disregards all these impressive facts. It suits him to neglect all the data of 1904 and 1909, in order to emphasize the number of small establishments in 1900.

In fact, the degree of blindness he displays when facts of concentration present themselves in statistics is perfectly amazing. Here is, e. g., a table he quotes from some German writer, referring to commercial establishments:

Size of Establishment	1882	1895
Without employes	429,825	454,540
With 1 to 5 employes	246,413	450,913
With 6 to 50 employes	26,531	49,271
With over 50 employes	463	960

What does this table prove? That small shops constituted, in 1882, 61 per cent. of the total number, and in 1895 only 47.6 per cent.; that middle sized shops constituted, in 1882, 35 per cent., and in 1895 47 per cent.; large establishments have increased from 3.8 per cent. to 5,2 per cent., and very large establishments from .06 per cent. to 0.1 per cent. In other words, the number of small establishments in 13 years increased only 6 per cent.; the medium sized establishments increased 83 per cent.; the large establishments 90 per cent., and the very large establishments 107 per cent. That took place eighteen years ago, and if during these eighteen years the process followed the same direction, a material concentration must have taken place in Germany as in America. But does the professor admit this? Not by a mile. These figures referring to 1895 and showing an unmistakable tendency toward concentration move him to the following observation:

"In commerce the small establishment is still more persistent than in industry."

Of course, in this case, as in many others, if he had taken trouble to look up the official statistical sources instead of only books written by critics of Socialism, he would have easily discovered what happened subsequently to 1895. Here, e. g., is a statement easily available in the "Statistisches Jahrbuch für das Deutsche Reich" (The Statistical Yearbook of the German Empire) for 1912, which every large University library possesses:

Commercial Establishments

	1882	1895	1907
Small (not over 5 employes)	676,238	905,453	1,204,727
Middle Sized (6 to 50 employes)	26,531	49,271	76,366
Large (over 50 employes)	463	960	2,828
	703,232	955,684	1,283,923

which in percentage means:

Establishments:—

	1882	1895	1907
Small	96.16	94.74	93.83
Middle Sized	3.77	5.16	5.95
Large	.07	.10	.22

This degree of concentration may not appear staggering, but look at the similar distribution of the personnel of these establishments:

Employes in Commercial Establishments

	1882	1895	1907
Small	1,013,981	1,509,453	2,056,916
Middle Sized	271,170	526,431	888,931
Large	54,557	129,754	395,185
	1,339,708	2,165,638	3,341,032

or in percentages:

	1882 %	1895 %	1907 %
Small establishments	75.61	69.70	61.56
Middle-sized establishments.	20.24	24.31	26.61
Large establishments	4.15	5.99	11.83

Does the small establishment hold its own in competition with the large one in commerce as in Germany, or does it not? Observe that the average volume of sales per employe in a large commercial establishment is very much larger than in the smaller establishments, and that the degree of concentration in the total volume of trade is therefore larger than the above figures would indicate.

It is quite unfortunate, moreover, that the professor did not come across this source of official German statistics, because there he would have also found

still more interesting figures in regard to the process of concentration in German industry, to wit:

Number of Industrial Establishments in Germany According to the Number of Persons Employed

	1882	1895	1907
Small (5 employes and under)	2,175,857	1,989,572	1,870,261
Middle Sized (6 to 50 employes)	85,001	139,459	187,459
Large (over 50 employes)	9,481	17,941	29,033
	2,270,339	2,146,972	2,086,368

The total number of establishments has actually declined while the middle-sized, and especially the larger establishments, have increased, so that the percentage relations changed as follows:

	1882 %	1895 %	1907 %
Small establishments.....	95.84	92.67	89.62
Middle-sized establishments.	3.74	6.49	8.99
Large establishments.....	.42	.84	1.39

And, as far as the number of employes is concerned, the development of twenty-five years was still more striking:

	1882	1895	1907
Small	3,270,404	3,191,125	3,200,282
Middle Sized	1,109,128	1,902,049	2,714,664
Large	1,554,131	2,907,329	4,937,929
	5,933,663	8,001,503	10,852,875

Thus the number of employes has nearly doubled while the number of establishments has decreased nearly ten per cent., and the distribution of the total

working force among these three classes of establishments was as follows:

	1882 %	1895 %	1907 %
Small	65.20	39.89	29.47
Middle Sized	18.61	23.77	25.02
Large	26.19	36.34	45.51

If any one believing in the future of small industry, can derive any comfort from these figures, he is welcome to it.

IV.

With such statistical methods, Professor Simkhovitch has no difficulty at all in disproving any tendency to concentration in agriculture. Triumphantly he quotes a table giving the number of farms and number of acres in farms for the entire United States from 1850 to 1900, showing that average number of acres to a farm was 202.6 in 1850, 199.2 in 1860, 153.3 in 1870, and 133.7 in 1880, increasing subsequently to 136.5 in 1890 and 146.2 in 1900. "No theory of concentration of agriculture or of the doom of the small farmer can be based on these figures," is the comment. Since the census for 1910 shows the average to have decreased to 138 acres, that seems but another link in the chain of evidence.

When one thinks of the literature that has grown around the agrarian problem within the Socialist movement, then the easy way in which Professor Simkhovitch disposes of it, becomes a matter of deep envy and admiration. Averages are taken for a country with a population of 90,000,000, a productive acreage of nearly 900,000,000 acres, and all possible types and historical stages of agriculture. The decline of farming in New England, the breaking up of old slavery plantations in the South and the business farming of the Northwest—when all these things are lumped together, what may a general average show? Moreover, what does the average number of acres per farm show, devoid of all other factors of agricultural production? Surely no one would argue seriously that the process of concentration could begin so long as there are vast areas of free land available, such as was the case in the United States until comparatively recent times.

Nevertheless, while these limitations must be kept in mind, it is worth while to quote the following figures of agricultural holdings in the West North Central division, one of the most important agricultural regions of the country (Minnesota, Iowa, Missouri, the two Dakotas, Nebraska and Kansas, where over one-fourth of the total farm land and one-third of all improved farm land is located).

Year	Number of farms	All land in farms. Acres	Average per farm. Acres	Improved land in farms. Acres	Average per farm. Acres
1850	69,420	12,497,615	180	3,768,142	54
1860	185,448	35,202,747	190	11,122,285	60
1870	363,343	51,765,877	142	23,509,863	65
1880	712,695	101,197,945	141	61,252,946	86
1890	914,791	150,800,169	165	105,517,479	115
1900	1,060,744	201,008,713	189	135,643,828	128
1910	1,109,948	232,648,121	209	164,284,862	148

The table shows a continuous growth in the average acreage worked per farm, which has nearly tripled in sixty years. In regard to average acreage per farm, there is an eloquent demonstration of the sequence of two historical processes: a disintegration of large farms from 1860 to 1870, and since 1880 a continuous, very marked concentration, as the number of farms has increased only 55 per cent., while the acreage has more than doubled. At least as far as this section of the United States is concerned, the capitalistic process seems to have begun and developed.

Of course, the experienced agricultural economist will meet these figures with the argument that they prove absolutely nothing. To which we will cheerfully agree, simply stating in our defense that we have quoted them for the sole purpose of absolutely discrediting the sort of statistical evidence Professor Simkhovitch handles with so much self-assurance. The trouble with this evidence is that it demonstrates his absolute misunderstanding of what "concentration" means, and how it must be measured statistically.

Supposing there were five farmers, one possessing 1,000 acres, the second 500 acres, the third 250, the fourth 150 and the fifth 100 acres. Total five farmers, 2,000 acres, average 400 acres per farmer. In due course of time the first farmer buys 250 acres from the second, 150 from the third, 100 from the fourth, while the fifth may cut up his farm into four slices and sell it to four farmers. There are eight farmers now, and no new land; only 250 acres per farmer. But in so far as 1,500 acres, or three-fourths, is concentrated in the hands of one instead of one-half before, there has undoubtedly been increased concentration.

A good deal of material for an intensive study along these lines is contained in the Census Reports for 1900 and 1910, which it is impossible to go into in great detail here. But one or two characteristic illustrations may be given. Remaining within the territory of the West North Central division, here is an indication of the changes in farm ownership and operation during the last 30 years, 1880 to 1910:

	No. of Farms 1880	Percent.	No. of Farms 1910	Per-cent.
Under 50 acres	111,577	15.7	144,507	13.0
50 to 100 acres	190,356	26.7	181,843	16.4
100 to 500 acres	400,515	56.2	715,544	64.4
500 to 1,000 acres	8,626	1.2	55,179	5.0
1,000 and over	1,621	.2	12,875	1.2
	712,695	100.0	1,109,948	100.0

In 1900, the farms with over 500 acres—decidedly large farms—constituted 4.4 per cent. of the total number, but the land in these farms constituted 23.5 per cent. of the total farm land. A bare decade later, in 1910, these farms constituted 6.2 per cent. of the total number of farms and their land 26.8 per cent. of the total land.

If these figures prove anything at all they prove that the general tendency of development, at least in

the progressive rural communities—on one hand, the breaking down of the old partly speculative holdings, and, on the other, a slow but sure gathering of the land from the bottom up—is unmistakable.

The process is slow, to be sure, and there are many reasons for it. But no matter how slow, it flatly contradicts the broad statement that *"No tendency towards concentration exists in agriculture."* (Page 68. Italics are ours.)

That one should say it who has had the opportunity to delve in the rich font of Russian agricultural statistics (Professor Simkhovitch is the author of a very extensive work on agricultural conditions in Russia) where the process of land concentration has been going on for half a century, notwithstanding many legal obstacles, is an additional ground for surprise.

V.

With equal vigor—and we are frank to state with equal success—does Professor Simkhovitch attack the doctrine of the "disappearance of the middle class." The doctrine was promulgated by Marx; it is now accepted by the majority of the Socialists. Does this fact necessarily bind the Socialist movement to accept the doctrine in the ultra vigorous and somewhat crude form first announced? Or is the modernization of this doctrine permissible to them as it is to people in all branches of science? Ehrlich's discovery of 606 is no less important because the methods of its application or the claims made for it have had to be modified since the first announcement. No one at present seriously insists upon the total disappearance of the middle class, because it fulfills several important functions which cannot be abolished, such as all lines of professional work, scientific management of industrial undertakings, etc. In fact, it may be admitted that in so far as the technical progress of industry requires an increasing variety of specialists, there is there a material factor for the growth of the middle class, in so far as its professional groups are concerned. But the crucial question remains: Is there a historical process by which a differentiation into the "upper" and "lower" classes takes place, is there an increase in the proportion of wage earners to the total population?

Professor Simkhovitch denies that. What is his evidence? The chapter dealing with this topic contains no less than fifteen statistical tables. Of these five are devoted to data of wages, seven to a distribution of population by incomes, and three to the number of stockholders; all of which has absolutely no bearing upon the question of the increase or decrease of the

middle class, and we cannot hide our genuine surprise that Professor Simkhovitch should not have perceived this obvious fact.

This is so evident in regard to the wage statistics, that no comment seems necessary. But how about the income statistics? Quoting data concerning incomes in Prussia, Simkhovitch draws from them the deduction that the idea of the "proletarization of the middle class" is "utterly unwarranted" (page 89). Let us see. During the fifty years the number of persons with incomes of certain size increased as follows:

Income of	1853.	1902.	P. C. of Increase.
900- 2,100 marks	778,000	2,989,000	284.2
2,100- 3,000 marks	46,900	321,300	585.1
3,000- 6,000 marks	32,003	291,341	810.4
6,000- 9,500 marks	7,239	77,683	973.0
9,500- 30,500 marks	4,463	64,737	1350.5
30,500-100,000 marks	640	13,205	1963.3
100,000 and over.....	62	2,762	4354.8

To Mr. Simkhovitch these figures seem to prove the growth of the middle class. Arbitrarily, the middle class is defined as the class with incomes from 2,100 to 9,500 marks, and the number of these incomes has increased from 86,000 in 1853 to 690,300 in 1902, or eight times.

And yet the following qualifications must be taken into consideration:

Firstly, it is not true that all persons with incomes of 2,100 marks or over, are middle class persons. This amount represents less than $500 in United States money. Professor Simkhovitch is forced to admit (footnote, page 88) that mechanics are often found in the groups of incomes of 2,100 to 3,000 marks. Un-

til we know how many there are of these, the comparison means very little.

Secondly, the entire factor of increase in cost of living, or what amounts to the same thing, the decrease in the purchasing power of money, is disregarded. We know here by experience what a difference there has been in the purchasing power of money in the last twenty-five years. The increase in price of food from 1890 to 1913 is over 60 per cent. In other words, a dollar now is worth no more than 60 cents in 1890. A person with an income of 3,000 marks in 1902 may not be better off than with 2,000 marks in 1850. Yet, statistically, he jumps two classes and from the lower class graduates into the middle class. That alone must explain a great deal of shifting from the lower into the higher income groups as measured by money income only. Moreover, there may have been a genuine increase of the average income of the professional classes, but evidently this has no relation at all to the question of the disappearance of the middle class, by which is meant the gradual elimination of the middle sized employer, and not the disappearance of physicians, lawyers, engineers, teachers, professors, journalists, actors, etc.

One thing, however, does stand out unmistakably from the Prussian income statistics; that is, the very rapid increase of very large incomes. Against sixty-two persons with incomes of 100,000 marks or over in 1852, there were 2,762 in 1902, an increase of forty-five times. Against 640 with incomes from 30,000 to 100,000 marks (roughly, $7,000 to $24,000) in 1853, there were 13,205 in 1902, an increase of twenty times. Surely, there is at least a partial corroboration of the Marxian theory of concentration of property—a larger proportion of the national income evidently has fallen into the hands of millionaires. Of all persons with incomes over 900 marks in 1853, ondy 0.08 per cent. (or about 1 in 1,250) had an income of over 30,500,

and in 1902, 0.42 per cent. (or 1 in 236). Does Professor Simkhovitch admit it? No, not he. On the contrary, he sees in these facts another proof that Marx was hopelessly wrong. He quotes, himself, the following figures up to 1902, to which we take the liberty to add the figures for 1912 as well:

Persons with incomes of	1853.	1875.	1902.	1912.
100,000- 500,000 marks..	60	399	2,094	4,134
500,000-1,000,000 marks..	2	18	108	235
1,000,000-2,000,000 marks..	..	4	44	54
Over 2,000,000 marks.....	..	4	16	33

And then points at them as evidence of error of Marx's formula: "One capitalist always kills many." Of course, under these circumstances, Marx simply could not prove anything to Simkhovitch, for the professor would not have it so. If the number of large incomes should decline, why, that's evidence of dissemination of property. If their number grows, why, Marx is wrong again, because "capitalists have not been killing one another" (page 69). Marx and all the Socialists with him, seem to be getting it coming and going. Every one knows that the number of millionaires has been rapidly growing in the United States. Ergo, Professor Simkhovitch would say, here is evidence that there is no concentration of wealth in the United States. Even thus in Prussia, in 1853, there were only six persons whose wealth was valued at 3,000,000 or over, and in 1900, 639. Ergo, listen to this: there was "no concentration of wealth" and "the middle class was not disappearing."

The truth is that, all levity aside, Professor Simkhovitch, by this method of arguing, demonstrates his through inability (or unwillingness) to understand either the term "capitalist" or the term "concentration"; and in view of his familiarity with Marxian literature,

this is very strange, to say the least. Concentration does not proceed by one *large* capitalist killing half a dozen other *large* capitalists, and the definition of the term capitalist as "one having an income of 100,000 marks or over" is proper for an evening paper, and not for a professor of economics. When Marx expected one capitalist to kill many, he did not think that Rockefeller might murder Morgan and J. J. Hill. One big capitalist kills a hundred petty capitalists—kills them as capitalists. Even if the small capitalist should, after his economic demise, find a position with his murderer paying him a larger income, he still would be dead as a "capitalist."

After all what is concentration, and how is it to be measured? Every statistician should know that by subdividing all the units into a small number of groups, and counting the number of persons in each group, concentration of ownership or incomes cannot be accurately studied. Only when the total volume of incomes is known, and when it can be established how big a proportion of this total volume is in the hands of a few, is a scientific measure of concentration found.

The profound statistical study of Prof. A. Wagner* from which Prof. Simkhovitch has borrowed his table, contains such information as to the distribution of the *value of income,* though unfortunately it does not go back of 1892. But, by applying the more recent sources, similar data may be obtained for 1912, and so a stretch of twenty years is obtained—not so valuable as a sixty-year period, but still sufficient to indicate the existing tendency.

The following table gives the distribution of incomes in Prussia in 1892:

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*Zeitschrift des Königlich Preussischen Statistischen Bureau, Vol. XLIV.

Distribution of Incomes in Prussia in 1892.

		Number of persons in the group	per cent.	Total income of group Mill Marks	per cent.
Under 900 Marks		8,726,215	78.18	3,998	41.21
900 to	2,100	1,895,569	16.98	2,464	25.39
2,100 to	3,000	223,400	2.00	448	4.63
3,000 to	6,000	204,544	1.83	832	8.58
6,000 to	9,500	55,561	.50	413	4.26
9,500 to	30,500	46,092	.42	715	7.37
30,500 to	100,000	9,034	.08	451	4.65
100,000 to	500,000	1,555		277	2.85
500,000 to	1,000,000	72	.01	47	.48
1,000,000 to	2,000,000	27		37	.38
Over 2,000,000		4		20	.20
		11,162,073	100.00	9,702	100.00

Let us look at that table carefully. The lower income group claims 95.16 per cent. of the number of persons; their income constitutes 66.6 per cent. of the income. The middle income group (not necessarily the middle class) with incomes from 2,100 to 30,500 marks, is only 4.75 per cent. strong; it claims 24.84 per cent. of the total income.

The highest income group is small—in fact very small—only .09 per cent. (less than 1 in 1,000). It claimed 8.56 per cent. of the total income. You might put it that way: In 1892 the lower income group was robbed of 28.56 per cent. of the national income (95.16—66.00=28.56). The middle group had 20.09 and the highest group 8.47 per cent (20.09+8.47%=28.56%) of this surplus.

Now what happened in the succeeding twenty years? Look at the following table, giving the similar data for 1912. Look at it carefully.

Distribution of Incomes in Prussia in 1912.

		Number of persons in the group	per cent.	Total income of group Mill Marks	per cent.
Under 900		8,794,116	56.01	4,243	21.77
900 to	2,100	5,588,207	35.60	7,267	37.30
2,100 to	3,000	534,414	3.40	1,317	6.76
3,000 to	6.000	547,648	3.49	2,144	11.00
6,000 to	9,500	111,747	.71	832	4.28
9,500 to	30,500	99,026	.63	1,533	7.87
30,500 to	100,000	20,999	.13	1,053	5.40
100,000 to	500,000	4,134		739	3.79
500,000 to	1,000,000	235		155	.80
			.03		
1,000,000 to	2,000,000	54		76	.39
Over 2,000,000		33		124	.64
		15,700,613	100.00	19,483	100.00

If we are to stick to the same division into three income groups, the lower income group claimed 91.61 per cent., the middle 8.23 per cent. and the highest, .16 per cent. Very well. The middle group has increased numerically, gaining practically all that the lower group has lost. It does not at all mean, as we have already explained, that the middle class has grown, because we have no information of the exact class distribution of the income group. (Prof. Simkhovitch himself argues that the wage earners' incomes have increased, and that will explain a considerable share of the growth of the middle sized income group.) But what we are interested in at present is the concentration of national incomes.

The lowest income group, numbering 91.61 per cent., claims now only 59.07 per cent. of the income, a deficit of 32.54 per cent.

The middle-sized income group, numbering 8.23 per

cent., claims 29.91 per cent. of the income, a gain of 21.68 per cent.

The highest income group, numbering only .16 per cent., claims 11.02 per cent of the income, a gain of 10.86 per cent. Now let us show by means of a table the change effected in twenty years:

	Percent. of Persons	Percent. of Income	Difference
Lowest income group—			
1892	95.16	66.60	—28.56
1912	91.61	59.07	—32.54
Middle sized group—			
1892	4.75	24.84	+20.09
1902	8.23	29.91	+21.68
Upper income group—			
1892	.09	8.56	+8.47
1902	.16	11.02	+10.86

Does that show concentration or diffusion of the income of the nation? Barring the question of speed, was Marx right in his prediction or was he not?

It is only a short period of 20 years we are dealing with. During that 20 years the national income has increased from some 10,000 million marks to 20,000 million marks. Of this increase, produced by a nation with 15-16 million producers, 13 per cent. was gobbled up by a group constituting only 16 per cent. or 1/600 of the people.

Still more valuable would be a similar comparison between 1853 and 1912. But unfortunately Prof. Wagner's study does not contain any data as to the volume of incomes in 1853. However, I ventured to make an approximate computation based upon the assumption that within each small group the average income has not changed very much. Professional

statisticians will admit that this is a legitimate assumption in view of the fact that the average within each group has remained about the same from 1892 to 1912. On this assumption a table similar to the two given above has been constructed for 1853, with the following results.

	Number of persons in the group	per cent.	Average income in group estimated	Total income of group Mill M computed	per cent.
Under 900 marks	4,252,354	83.02	455.00	1,134.8	43.81
900 to 2,100	778,540	15.20	1,340.00	1,043.2	40.28
2,100 to 3,000	46,948	.92	2,450.00	115.0	4.44
3,000 to 6,000	32,003	.62	4,060.00	129.9	5.02
6,000 to 9,600	7,239	.14	7,435.00	53.8	2.08
9,600 to 28,800	4,463	.09	15,510.00	69.2	2.67
28,800 to 96,000	640		50,000.00	32.0	1.24
96,000 to 480,000	60	.01	178,130.00	10.7	.41
Over 480,000.....	2		660,000.00	1.3	.05
	5,122,249	100.00		2,589.9	100.00

If now we compare these two tables showing this condition of affairs in 1853 and 1912, the progress of the process of concentration appears very much more distinctly.

	Per cent. of persons	Per cent. of income	Difference
Lower income group			
1853.....	98.22	84.09	—14.13
1912.....	91.61	59.07	—32.54
Middle Size income group			
1853.....	1.77	14.21	+12.44
1912.....	8.23	29.91	21.68
Upper income group			
1853.....	.01	1.70	+1.69
1912.....	.16	11.02	+10.86

In actual figures, while the total income has increased from 2,590 to 19,483 million marks or over seven-fold,

the income of the upper group has increased from 44 million marks to 2,147 million marks, or nearly 50 times.

Finally, another statistical argument against the disappearance of the middle class is brought forward in the number of stockholders of stock companies. Not a new argument, to be sure. It was stated fifteen years ago by Bernstein and borrowed from him (with due acknowledgment) like almost all other arguments used by Professor Simkhovitch. Of course, the same objection can be made against this argument as against most others advanced in this chapter: that it deals possibly with the question of the average income, but not at all with the question of the middle class. Suppose under due pressure a Steel Trust employe does buy a share of United States Steel. Does he cease being a wage worker; does he become a member of the middle class thereby? What authority is there for confusing the concept of "middle class" with that of an owner of a "middle sized income" or even with the "owner of some income bearing property"?

It may be true that, as Professor Simkhovich says, Marx has overlooked the economic significance of the joint stock company. But the trouble with Professor Simkhovitch and many other writers is that they entirely misunderstand its "true economic significance." "The assumption that centralization of industry signifies centralization of ownership and capital is false," emphatically says the professor. "The opposite is the economic tendency" (page 92).

Thus Simkhovitch goes far beyond simply recognizing the part ownership of the small property owner in a large undertaking. He sees in it a defined economic tendency away from centralization of ownership.

How does he prove it? Not only by quoting the large number of stockholders, but quoting examples of increase in their number in the case of several corporations.

But here, as everywhere else, the statistical ammunition, which Professor Simkhovitch depends upon, proves

to be very ineffective. And surely, if statistics are to be used to disprove an economic theory; if facts are to be marshaled together to disprove theory, facts must be facts, and not wild guesses only. "The total number of American shareholders is now estimated at about 2,000,000" (page 95). As a matter of fact, no foundation for such an estimate exists, and no reference to justify this estimate is given. We have used an estimate on a preceding page ourselves. But in doing so, we frankly explained the method used, and tried to justify it. When an estimate is given as boldly as it is done by Prof. Simkhovitch, we are justified in asking: "When, where and by whom was such estimate made? What is it based upon? When is 'now'? When the article is written, or when the book is published? And why 2,000,000, not 1,000,000 or 4,000,000?" Surely we may expect greater care in statistical writing from a professional economist and university teacher.

Supposing, however, that there would have been a statistical total, obtained by adding the number of stockholders in all corporations. What would that prove? Absolutely nothing. That through the instrumentality of a joint stock company large capital is enabled to utilize the combined savings of people of small means is an established fact. That in this way a certain political demoralization of the "public" is established; that the owner of a share of stock often for the sake of the dividend, and still oftener for the sake of a possible speculative appreciation of its value, is inclined to forget his much more important interests both as wage worker and as consumer—all that is unfortunately true. But we are discussing at present not so much the psychological as the economic results of stockholding. Does it interfere with concentration? Does it tend to decentralization of ownership? The owners or managers of the largest industrial enterprises need the combined savings of the people in order to extend their operations and increase their own profits. If the $4,000,000,000 placed in the savings banks of the country were to be converted by

the individual depositors into small industrial holdings of stock rather than left to the Savings banks for the purchase of bonds within a restricted list, would that mean decentralization of wealth?

Moreover, the fine work of the bull in the market must not be forgotten. Lambs are enticed when the prices are high and stocks are sold to them, to be repurchased at bargain prices when a panic makes the timid lambs flee. Professor Simkhovitch gives figures for ten railroads, which had 108,600 stockholders in 1904 and 169,500 in 1908. Does he really mean to intimate that the process of dissemination of property has made such progress in four years? Isn't it evident that these figures show the result of the stockholders' harvest for four years?

All of this destroys any value of the data as far as the accuracy in the number of stockholders is concerned. But equally important is the fact that mere numbers do not prove decentralization.

We have no statistics of distribution of ownership or stock in this country. And until the income tax returns are ready we shall have no income statistics. But the inheritance tax of the State of New York often furnishes very valuable illustrations. Every now and then a multimillionaire leaves this miserable sphere, and when his estate is appraised the following two facts are usually disclosed:

1. That the greater part of his wealth has been put in stocks and bonds;

2. That the larger capitalist is usually too wise to put all his eggs into one basket (he knows too much about the basket) and holds variable quantities of stock in many corporations. Astor was primarily a real estate holder—not a stockholder. But the probating of his will disclosed the fact that he held stock in several hundred corporations, and so there were statistically as

many hundreds of stockholding Astors. There may be over 10,000 millionaires in this country, as a conservative estimate (the New York World listed 4,000 over ten years ago). Query—How many times do these 10,000 appear in the list of 2,000,000 shareholders, which Professor Simkhovitch refers to? Triumphantly he quotes Kautsky's words, "If capitalists are on the increase . . . then our hopes will never materialize!" Triumphantly, because he imagines that his figures demonstrate the futility of the Socialist hope. But the truth of the matter is that he was altogether unable to prove his thesis, while the concentration of wealth and incomes in the hands of a growing class of large capitalists has been amply demonstrated by the very data he quotes for the purpose of proving the fallacy of Marx's predictions.

VI.

There remains the third important factor of economic evolution: the changes in the economic status of the wage working class. Two large chapters (over one-sixth of the book) are devoted to this topic. One aims to destroy "the theory of increasing misery" and the other furnishes voluminous "data relating to the status of the wage earner." Nowhere else does Professor Simkhovitch's optimism assume a more exaggerated tone. By profession he is a social reformer. Presumably he is politically with all other "social reformers" in the Progressive party. But the eloquence of these two chapters is decidedly one of the standpattish spread-eagle variety. The Republican Congressional campaign books have popularized all the arguments and statistics which especially the second of the two chapters contains.

Far be it from us to endeavor to defend the theory of increasing misery, the unfortunate "Verelendungstheorie." We couldn't, because we do not believe in it. Whether it be insisted (in order to protect Marx's reputation for infallibility) that in stating it, he only meant to state the tendency of uncorrected capitalism, and not a historic law, that the theory still remains true if it be modified to read "the theory of increasing relative poverty," is important for students of history of economic thought, but not of the Socialist movement. As far as our reverence for Marx as a thinker and economist is concerned, the necessity for corrections will no more influence it than can the discoveries of De Vries influence our opinion of Darwin and Darwinism. But the important, desicive fact is that the theory of increasing misery has been gradually abandoned by the Socialist movement,

and the movement still survives. The attack upon it is, therefore, more important as one of Professor Simkhovitch versus Marxism, than Marxism versus Socialism. But if, as Professor Simkhovitch insists, there is a steady and unprecedented improvement in the conditions of the working class under capitalism and a similar promise in the future, if such are the benevolent results of capitalism upon the condition of the wage workers, our enthusiasm for Socialism, our willingless to sacrifice much for it might be permitted to abate.

Let us therefore examine some of the evidence presented. In most of the chapters, Professor Simkhovitch is satisfied to remain historical, critical, literary, or even poetical. But in the chapter on the "Status of the Wage Worker" he suddenly grows enthusiastically statistical. It is also significant that this is almost the only chapter that does not furnish a single quotation from our friend Bernstein. Other, more trustworthy sources were necessary.

The statistical discoveries made are amazing. There is a table (page 138), taken from Giffen's "Progress of the Working Classes in the Last Half Century." These figures come highly recommended. Giffen calls them "wonderful," and Professor Simkhovitch pats him on the back. "Giffen is certainly right," he says. Our cheerful progressive leader, Mr. Norman Hapgood, also became enthused and reprinted them in Harper's Weekly for Nov. 29, 1913. Surely these figures will deserve most careful examination.

In introducing them, the Professor speaks of "the almost incredible growth in England's per capita consumption, which is after all in the main workingmen's consumption. Here," he says, "is a table of the quantities of the principal imported and excisable articles retained for home consumption per head of the total population of the United Kingdom."

Then follows a table, half a page long, giving per

capita averages in 1840 and 1882. Averages of what? Of *consumption?* Not at all, though the professor seems to think so.

Averages of *imports.* The articles enumerated are bacon and ham, butter, cheese, currants and raisins, eggs, rice, cocoa, corn, wheat and wheat flour, raw sugar, refined sugar, tea, tobacco, wine, spirits and malt. That in the case of tea or cocoa, the imports and consumption are about the same, anyone will agree. But how about bacon, ham, corn and wheat, eggs and cheese? Even a freshman in political economy should know that England produces and has produced a good deal of its own wheat and bacon and eggs, that imports constituted only a part of the consumption of these articles; moreover, that with the rapid industrialization of the United Kingdom between 1840 and 1881, the increase in domestic production did not keep up with the increase of the population, and heavier imports were necessary.

Just look at some of the figures quoted:

	1840	1881
Bacon and ham (lbs.)	0.01	13.93
Butter (lbs.)	1.05	6.36
Eggs (no.)	3.63	21.65
Corn, wheat and wheat flour (lbs.)	42.47	216.92

Would anyone imagine that a professor of economics could seriously present these figures as figures of average per capita, per annum consumption? That the consumption of bacon has increased 1,300 times in 40 years? That the bacon and ham eating Englishman was satisfied with one-hundredth of a pound for a whole year in 1840? That the average consumption of bread in 1840 was 42 lbs. per annum or much less than one pound a week? In fact, less than two ounces a day?

What is the explanation of these amazing figures? Is it, to speak plainly, total ignorance of all statistical

methods—or is it a moment of blindness induced by a passionate desire for a standpattish argument such as the crudest prosperity spellbinder would not dare to make?*

We should like to stand by the former more charitable explanation. Unfortunately it is quite impossible to do so, in view of the overwhelming evidence to the contrary. For the very author, from whom these figures are quoted, has seen and plainly stated this difficulty some 30 years ago. *Immediately* following the table which Professor Simkhovitch has copied, Giffen proceeds as follows:

"This wonderful table speaks for itself. *It is an obvious criticism that many of the articles are also articles of home production so that the increase does not show the real increase of the consumption of the whole population per head.* Assuming a stationary production at home, the increased consumption per head cannot be so much as is here stated for the imported articles only. There are other articles, however, such as rice, tea, sugar, coffee, tobacco, spirits, wine and malt, which are either wholly imported, or when we have the exciseable figures as well, they all—*with the one exception of coffee*—tell a clear tale." ** (The italics are mine.)

Professor Simkhovitch copied the table. He read the first short sentence. But he failed to read further or if he did read, failed to qualify his table the way Giffen thought necessary to do.

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* It is significant for the effect of such misstatements, that in reprinting them in Harper's Weekly, Mr. Hapgood omitted all qualifications as to imports and labeled them data as to average consumption. Mr. Hapgood's editorial was headed, "A Question to Socialism." And in the text Socialists were called upon to furnish an answer to these figures. However, when the writer offered to give the answer in a brief letter to the editor, Mr. Hapgood peremptorily refused to print such a letter. Thus is the Socialist theory disproven. (See N. Y. Call for Dec. 28, 1913.)

** "The Progress of the Working Classes in the Past Half Century," pages 20-21.

Nor is this all. Notice Giffen's statement as to coffee. The average imports have decreased from 1.08 lbs. in 1840 to .89 lbs. in 1881. Nevertheless Giffen includes it in his table and calls attention to it. But Professor Simkhovitch calmly skips coffee—it does not fit in with his theory. Coffee and potatoes are the only omissions Prof. Simkhovitch made. The quantities shown in the table for potatoes were 0.01 lbs. in 1840 and 12.85 lbs. in 1881. I suppose even Prof. Simkhovitch felt that a statement of average annual consumption of 0.01 lbs. of potatoes would be too hard to swallow, even for the most undiscriminating reader.*

As Professor Simkhovitch seems to show considerable fondness for consumption figures, we might also apply this test to the economic progress in the United States. In the following table is shown the average annual consumption of four important articles of diet since 1871 to 1912, during which time "an unprecedented improvement" in the conditions of American wage-workers is supposed to have taken place:

Per Capita Consumption

	Wheat (bushels)	Coffee (lbs.)	Tea lbs.	Sugar lbs.
1871-1880	5.1	7.25	1.33	39.2
1881-1890	5.7	8.59	1.35	58.5
1898-1900	4.7	9.15	1.27	63.2
1900-1905	5.7	11.66	1.16	70.9
1906-1910	6.4	10.31	1.03	78.3
1911-1912	5.9	9.25	1.04	79.8

*In general, it may be added that Professor Simkhovitch is extremely careless in reading and quoting his statistical sources. On page 139, he quotes certain figures from Prof. Bowley, showing the remarkable progress of prosperity in England from 1883 to 1902. Among other things we are invited to rejoice that the number of adult paupers has declined from 35 per 1,000 adult males in 1883-7 to 31 in 1891-1902. Whatever comfort one may derive from such

Sugar is therefore the only article of which consumption has substantially increased—doubled in forty years,—because the price has declined from 13 cents in the early seventies to 4-5 cents during the last 20 years. The consumption of wheat fluctuates materially, but remembering the inaccuracy of our agricultural statistics, there has been no substantial increase in its consumption since the eighties. Neither do the figures for coffee and tea show anything that would indicate a rapid increase in consumptive powers.

Of course, we do not at all mean to deny that there may have been some increase in average consumption in England between 1840-1880, that there was even a greater improvement in Germany within the last few decades. It is the preposterous abuse of statistical data for the purpose of exaggerating the slightest improvement in the condition of the wage-workers that interests us here.

Of course, we might suspect that in some European countries the very Socialist movement has been responsible for this improvement. Nowhere, for instance, has the improvement been so great as in Germany, and nothing has been more conducive of such improvement as the comprehensive German system of Social Insurance, which was admittedly a measure forced upon Bis-

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wonderful progress Professor Simkhovitch is entirely welcome to. The statement is taken from page 32 of Bowley's pamphlet; and the quotation is correct. Yet—just think for the moment how staggering the statement is; over 3 per cent. of the adult male population are "able-bodied paupers." That would mean hundreds of thousands of able-bodied paupers, not to speak of the sick, crippled, insane, feeble-minded and criminal.

The joke of it is that Prof. Bowley's statement is a misprint (and should have read per 10,000) as Prof. Simkhovitch would have found (see page 23 of the same pamphlet) if he had taken trouble to read the small pamphlet in addition to just quoting tables which seem to support his views. (See Statistical Studies Relating to National Progress in Wealth and Trade since 1882: London, 1904, pp. 23 and 32.)

marck by the fear of the growing Socialist movement. It is less known that State Insurance of workingmen was advocated by Bebel in 1879. †

But, insists Professor Simkhovitch, this improvement has been very rapid in the United States since 1866, and yet until very recently the Socialist movement had very little influence, if any, upon American life. And after all, it is the condition in the United States that is of greatest importance to us. We freely admit that the constant struggle of organized labor for a higher standard has seen its results. We are only too happy to see these positive results of such struggle, offering as they do a promise of larger results from efforts of a class conscious working class, freed from any respect for rights of capital, and bent upon coming into its own. But if it is characteristic of ardent Socialists to indulge in pessimism and skepticism, to minimize the results accomplished, in the praiseworthy anxiety to obtain more, it is equally characteristic of all apologists for capitalism to exaggerate the smallest improvement. It is the well-recognized method of the standpatter.

Food for such optimism is usually found in making comparisons over a period of 100 years or so. But the modern wage worker can scarcely obtain much consolation from the fact that 100 years ago the American worker had a much lower standard of life—no bathtubs, no gas light, no movies, and perhaps no Coney. As the Webbs have said,* any gratifying comparison with the past seems to us in the twentieth century out of place; especially seems this true to us when the past is very remote.

This optimism concerning American wages is based by Professor Simkhovitch primarily upon a table derived from a book by Adams and Sumner on "Labor

† W. H. Dawson, "Bismarck and State Socialism," p. 110).

* "Prevention of Destitution," p. 94.

Problems," where the average wages are shown to have increased from a relative value of 68.7 in 1870 to 104.5 in 1900 (wages in 1890 being assumed as 100), this referring to "true" wages, i. e., the purchasing value of the money wages. An increase from 68.7 to 104.5 is equivalent to an increase of 52 per cent. in thirty years—an average annual increase of nearly 2 per cent.

But here is a very eloquent statistical line which Professor Simkhovitch quotes from Adams' book:

Year	1870.	1875.	1880.	1890.	1895.	1900.
Real wage....	68.7	72.5	82.8	100.0	102.0	104.5

A very relevant question arises in regard to this line. Why does Professor Simkhovitch stop at 1900? Surely the development of the last ten or twelve years is most interesting. To stop at 1900 simply because Professor Adams in a book written nearly ten years ago stopped there, is hardly a scientific reason. Or is it because real wages were not rising since 1900?

The suspicion is justified, because the optimistic deduction is based upon data worse than doubtful, and available data for subsequent periods are disregarded, which happen to be rather pessimistic.

For the eighteen years, 1890-1907, data was collected by the United States Bureau of Labor giving the "real wages," i. e., the purchasing value of weekly earnings. Taking the average wages from 1890 to 1899 as 100, the real wages in 1890 were 98.6. They increased in 1896 to 104, but only because prices fell. In 1906 they were 102.4, and in 1907, 101.8. For twelve years, 1895-1907, they fluctuated between 98.5 and 104.2, but show a tendency to decline rather than to rise. In fact, for 1896-1900 the average was 102.6, for 1899-1903 101.1, for 1903-1907, only 100.8. Nothing to enthuse about, is there?

But how about the continuous increase from 1870

to 1900? This is not the place to go into abstruse discussions of statistical theory. The writer has shown in greater detail in another place* that Professor Adams' figures are worthless, but because they are optimistic they have been swallowed by many orthodox economists. It is enough to point out that in Professor Adams' table sudden jumps occur from one year to another. In 1869 wages are stated as 52.7, in 1870, 68.7, an increase of nearly 30 per cent. in one year. In 1883 the wages are 85.9, and in 1885, 98.2, an increase of 14 percent. in two years. The real cause of this is that Professor Adams has compared three different statistical sources which are hopelessly noncomparable. One source gives the average wage for 1869 at 52.7 and another the average wage for 1870 at 68.7, and yet the suspicion newer dawns upon the economist that there is anything wrong with the statistics.

Of course there has been an increase in money wages, and it was considerable in 1890-1907. According to the investigations of the United States Bureau of Labor, the wages per hour in 1907 were some 29 per cent. higher than in 1890. But the slight reduction of hours and the terrible rise in prices have left the real earnings where they were. Perhaps if we did not live in a period of rising prices the results might be different. We don't know. Applying Professor Simkhovitch's strict methods we are barred from discussing a hypothesis in the face of absolute facts. And facts being what they are, is there any reason to grow optimistic about the tendency of things to improve by themselves? No one has accused the United States Bureau of Labor of a pessimistic view upon economic development. Two decades of highest capitalistic growth, two decades of enormous technical development, of gigantic accumulations and

* "Social Insurance," by I. M. Rubinow, 1913, pp. 35-36.

saving—what have they contributed to the welfare of the American workmen? A government authority answers, 1.8 per cent. increase in wages.

It is unfortunate that accurate figures as to the development of the last five years are as yet unavailable. It is known that these were years of energetic efforts on the part of many wage working groups to reconstruct the wage schedule, efforts frequently successful. It is also known, however, that there were years of unprecedented rise in prices. What is the final resultant of all the forces working in opposite directions? For many years the United States Bureau of Labor published annual comparisons between the fluctuations in the cost of food and in rates of wages. It discontinued this data in 1907. Finally, about a year ago, it resumed the study of prices of food. The results were staggering. Everybody knew that prices were rising, but perhaps few appreciated the speed of the process. Taking the average level of prices for the ten years from 1890 to 1899 as 100, the level of prices in 1899 was 100.8; by 1905 it was 116.4, and in 1907 125.8. Since then the prices soared high—130.1 in 1908, 137.2 in 1909, 144.1 in 1910, 143 in 1911, and 154.2 in 1912. The increase within the last five years was 28.3 points; for the twelve years over 50 points. Have wages succeeded in overtaking prices? Have they even succeeded in keeping up with them?

The Bureau of Labor had promised to continue its studies of wages. A bulletin on the subject recently appeared. But to the disappointment of many it failed to make it uniform with its earlier studies. Instead of computing the index of all wages it contended itself with giving the fluctuations of wages in fifty different trades. And no comparison with prices is made such as was made for seventeen years.

But on the basis of the figures furnished, an approximate computation is permissible. As far as the writer

has been able to figure the wages per hour have increased about 12.2 per cent. during these five years. As the level of wages per hour in 1907 stood at 128.8 (average wages 1890-1899, 100), it increased in 1912 to 144.5. But meanwhile the weekly hours of labor have somewhat declined. In 1907 they stood at 95 (on the same basis), and by 1912 were only 92.6. As a result the weekly earnings did not rise as fast as the wages per hour—they reached 133.8.

But meanwhile the prices of food have increased to 154.2, as we have seen. As a result real wages per hour, as expressed in cost of food, have declined to 93.7, and real wages per week were even lower—86.8. Nothing as distressing as this was ever shown by the statistics of wages and prices before. We do not at all insist upon its accuracy, though we tried to make the best and most painstaking comparison of statistics of wages and prices now separately studied. But one cannot help wanting to know whether these startling results had not been obtained in the bureau and whether they did not cause this abandonment of usual comparisons.

However, we shall not charge Professor Simkhovitch with the sins of the Bureau of Labor. There are many other interesting features about Professor Simkhovitch's statistics we should be glad to go into if space permitted. But we must be content with what we have succeeded in establishing, mainly by the very statistics that he uses as well as by the use of additional statistical sources, all well known and easily available, not in old and rare pamphlets, but in official governmental statistical pubcations:

1. That there is everywhere a continuous process of industrial concentration.

2. That a similar process has begun to work even in agriculture, wherever the capitalist stage of agricultural evolution has been reached.

3. That there is a decided process of concentra-

tion of property and incomes, with subsequent elimination of the small capitalist.

4. That capitalist industry does not at all produce any marked automatic improvement in the condition of the wage worker and that wherever such improvement has taken place, it may be easily explained by the obstinate struggle of the working class, of which struggle the Socialist movement is the most comprehensive expression.

5. That under the influence of a rising price level, which benefits the property owner primarily, the tendency, unless corrected by an aggressive labor movement, seems to be the other way.

All of which need not, perhaps, logically lead to Socialism as the inevitable conclusion. But it proves that whatever we may think of the philosophical basis of Marxism,—as a theory of historic and economic evolution, it has found ample corroboration in the events of the half a century which followed its announcement. We will cheerfully admit that our own historic learning is very limited, but we have as yet failed to hear of any other historic prophecy which has been fulfilled as Marx's prophecies have been until now.

No serious student of economic evolution will deny that in one respect the Marxian prophecies failed: they proved to be very much slower than Marx's prophetic vision made him believe they would be. We are not aware that any definite prediction was made by Marx as to the period of time which the developments prophesied would require. But in reading Marx it is difficult to escape the impression that he expected these tendencies to work with greater speed than they really do. It is not at all difficult to explain this. The very clearness of vision in regard to the coming future changes, which Marx possessed to such an extraordinary degree, could not help but bring them much nearer to

his own time in his mind than they were destined to be in reality.

This fact alone—that the changes proved less rapid, less precipitate—has forced a readjustment in the methodology of the Socialist movement if it was to remain a live, flesh and blood movement rather than a religious sect or a scientific school. Those to whom the memory of Marx as a teacher is sacred, may properly insist that if he were alive to-day, he would have been a leading spirit in this readjustment. But this is a speculative consideration without much practical importance to the Socialist movement of to-day.

Socialism not being a religious movement, does not derive its impetus from any speculations as to "what would Marx do if he came to Chicago." We are not pledged to follow "in his steps" because they were "his steps," except in so far as our study of present day conditions justifies us in retaining his view of the economic development of capitalist society. The practical problems of the line of activity promising most results in the efforts of the working class to accomplish its own emancipation will never cease to elicit ardent discussion; but as yet the Socialist movement has not seen necessary to deny the truth of Marx's vision. On the contrary, the more careful the economic development of the last half century is studied, the more is the truth of Marx's generalizations established in its broad lines, while the modifications and adaptations are of a minor character only. Careful painstaking study is the only scientific basis for such modifications, or for a complete abandonment of the Marxian point of view, for that matter, if such a step is ever to become necessary. In such study Socialist, anti-Socialist and neutral students have been active in the past and are welcome in the future. But no salutary effect, no useful influence can be expected from a partisan, prejudiced use, misuse or abuse of statistical quotations such as constitute the important substance of Prof. Simkhovitch's book, as,

it is hoped, has been conclusively demonstrated in these pages.

Whatever one may have thought of Bernstein's statistical methods, the purpose underlying his criticisms of the accepted party doctrines was above suspicion; it was the passionate desire to direct the activity of the Socialist movement into practical channels, to get it away from a doctrinaire aloofness to useful "Gegenwartsarbeit." Bernstein endeavored to correct the errors of Marxism for the purpose of strengthening Socialism. What is Professor Simkhovitch's purpose?

His purpose in the body of the book appears to be to destroy the Socialist movement by proving that it is built upon sand. But when one reads the concluding chapter, one cannot help wondering what was the use of spending so much good time in writing the profound book? What is the use of kicking a "corpse"? According to Professor Simkhovitch, the Socialist movement, as a Socialist movement, is dead.

"Barring Kautsky, nearly every Socialist scholar of merit belongs to that wing (of revisionism); barring Bebel, nearly every practical leader of note is actually a revisionist—of Socialism they have preserved only the name; they are social reformers" (p. 289). "There is no room left for real Socialism in our present-day economic development" (p. 290). "The overwhelming majority of the Socialists of to-day are tending to be reformers" (p. 292). "The Socialist parties have become in reality reform parties. . . ."

Now Professor Simkhovitch claims to be a social reformer himself. Why, in view of the above conclusion, doesn't he join the Socialist party as the political expression of the social reform movement? Let me make a guess. In one sense I really believe that the professor is right. Socialists are "social reformers," because they—and they alone—are working for reforming, remaking, radically changing our social institutions.

They may differ as to the best method of accomplishing it, they may differ as to their guess concerning the speed or manner in which the process of transformation will take place, but they are fairly united in their work for creating the force that will cause the change. And they are the only ones who do it. If the Socialists, in Professor Simkhovitch's mind, are not real "Socialists," then, on the other side, the social reformers are not at all social reformers.

They are afraid of a change—a new patch on an old hole—that is as far as their social vision goes. The old suits them very well—if only the leaks here and there could be mended. Otherwise, how could one explain the desperate efforts to juggle statistics, to misinterpret evident tendencies, to exaggerate all ostensibly favorable symptoms, to close their eyes to all the dark aspects of the present, to fall in with the stand-patters in singing praise to glorious capitalism?

Social reformers, indeed! Social conservators—that is more accurate. And, as a matter of fact, is this not admitted? Doesn't our progressive movement continually and boastfully emphasize its conservative character?

Because we are not willing to be satisfied with preaching the future Socialist state, because we want to work for it now, because we have finally understood that the Socialist movement is an integral part of the labor movement, Professor Simkhovitch takes the liberty to make the charge of hypocrisy against the entire organized movement. "The hands," says the professor, "are the hands of Jacob, but the voice is the voice of Esau" (page 294). We hold on to the old phrases because they are a valuable asset. Social reform alone cannot arouse the "passionate ardor" that we succeed in kindling by means of these revolutionary phrases.

Of course, in plain English, there is only one mean-

ing to this. The Socialist leaders are accused of deliberately deceiving the people. They use revolutionary phrases, while peaceful reformers at heart, for the purpose of gaining adherents. Rather a serious charge.

And yet I do not intend to go for an oratorical outburst of indignation in refuting this charge. If Professor Simkhovitch thinks so, he has a right to. When the question reduces itself to charges of personal hypocrisy, it is not a pleasant charge to argue. We do not know whom of the Socialist leaders the professor has the pleasure of knowing.

But, calmly, what are the facts? Have "the revolutionary phrases" proven to be such an attractive bait in this country? Is political and social idealism growing so luxuriously on American soil that the "co-operative commonwealth" is a bigger political asset than the promise of immediate reforms? Come, come, Professor, you have been too long in this country, you know it too well to make this statement seriously. We have a million followers, to be sure. But it took twenty-five years of hard educational work to convince that many people of the truth of our theories or of the justice of our demands. Meanwhile dozens of political quacks have appeared, each with his own well advertised little "cure-all," and see how many more followers they have captured for the time—Bryan, Hearst, Roosevelt, to mention the few biggest ones only. During election times, when our votes are sadly wanted, how thick the charges that we are political Utopians, that we have no practical sense of politics, that we are up in the air, that we are wasting our votes.

Let me tell you: If there were any "assets" in revolutionary phrases they would have been captured and assimilated by the Progressives by this time. In a combination of social justice with a big stick, of a square deal with a large army, there would be room even for revolutionary phrases.

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